

California Air Resources Board Auction Bidders' Conference and Participant Training Presentation

Bidders' Conference Agenda

- Introduction
- Auction Summary
- General Auction Schedule
- Administrative Requirements
- Application Process
- Bid Guarantee Requirements
- Purchase Limits
- Holding Limits
- Auction Bidding
- Bid Limitations
- Settlement and Bid Fulfilment Determination
- Market Monitoring
- Auction Results
- Financial Settlement
- Question and Answer Session #1

Introduction

- AB 32 requires California to reduce greenhouse gas emissions to 1990 levels by 2020.
- The Cap-and-Trade Regulation (“Regulation”) is a key element of California’s climate plan.
- The Regulation is designed to provide covered entities the flexibility to seek out and implement the lowest-cost options to reduce emissions.
- As part of the Cap-and-Trade Program, ARB holds allowance auctions to allow market participants to acquire allowances directly from ARB.

Auction Summary

- Auction notices are posted 60 days prior to each auction.
- The number of GHG allowances that will be available for sale during each auction is provided in the Auction Notice posted prior to each event.
- 2014 Auction Reserve Price: USD \$11.34 (for both the Current Auction and Advance Auction).

General Auction Schedule

Activities	Auction Time Period	Time – Pacific Time (PT)
Application window opens in the Auction Platform	60 days prior to auction	12:00 (Noon) PT
Application window closes in the Auction Platform	30 days prior to auction	11:59 PM PT
All bid guarantees due to Financial Services Administrator	12 days prior to auction	No later than 2:00 PM PT
ARB approves participants and participants notified	2 days prior to auction	No later than 5:00 PM PT
Auction conducted	Date provided in Auction Notice	Bidding window open from 10:00 AM – 1:00 PM PT
Public notice of results released	3 business days after auction	12:00 (Noon) PT

General Auction Schedule

Activities	Auction Time Period	Time – Pacific Time (PT)
Notification of the availability of financial settlement invoice sent to auction participants	3 business days after auction	12:00 (Noon) PT
Financial settlement in cash due to Financial Services Administrator	7 days after notification of the availability of the financial settlement invoice	No later than 2:00 PM PT
Financial reconciliation complete	3 business days after financial settlement is due	
Proceeds distributed	Completed by 6 business days after financial settlement is due	
Transfer of allowances into CITSS Accounts	6 business days after financial settlement is due	12:00 (Noon) PT
Earliest date for bid guarantee expiration	21 days after auction	

Administrative Requirements

- Eligibility
 - Covered entities, opt-in covered entities, and voluntarily associated entities are eligible to participate in GHG allowance auctions.
- CITSS
 - Prior to participating in an auction or reserve sale, the entity must have an approved Compliance Instrument Tracking System Service (CITSS) account with a Primary Account Representative (PAR) and at least one Alternate Account Representative (AAR).
 - PAR and/or AAR(s) are the only individuals that can be authorized to bid on behalf of the entity during the auction.
 - An entity representative must have indicated the entity's interest to participate by selecting the "Auction Participation" box on the Auction Tab in the CITSS.

Application Process

- Select CITSS “Auction Participation” box
- Activate Auction Platform Account
- Apply to participate in an auction or confirm intent to bid
- Submit bid guarantee
- Receive notification of approval to participate

CITSS Auction

Participation Box Selection

- To be able to participate in an auction or reserve sale, all entities:
 - Must indicate the entity's intent to participate in upcoming auctions and reserve sales by selecting the "Auction Participation" box in the CITSS.
 - The steps to select the "Auction Participation" box in the CITSS are:
 - Log into the CITSS (<https://www.wci-citss.org>)
 - Select the "View" button for your organizations General Account
 - Select the "Account Detail" button for your organization
 - Select the "Auction" tab
 - Select the "Auction Participation" box

Auction Platform Account Activation

- Once CITSS account information is transferred to the Auction Administrator to facilitate participation in an auction or reserve sale, representatives that intend to act on an entity's behalf to submit an application or submit bids must have an active Auction Platform account.
 - If the representative previously activated an Auction Platform account that individual can access the Auction Platform using their previously established username and password.
 - If the representative has not previously been designated as the PAR or an AAR for an entity that indicated interest in participating in auctions or reserve sales, they will receive an email inviting them to activate their account and set up a password.

Apply to Participate

- If an entity has not previously been approved to participate in an auction or reserve sale, one representative must submit an auction or reserve sale application through the Auction Platform.
- If an entity has previously been approved to participate in an auction or reserve sale, one representative must confirm the entity's intent to bid in the Auction Platform.
- For simplicity, the Auction Platform uses the term “application” whether an initial auction or reserve sale application or intent to bid is being submitted or an intent to bid is being confirmed.

Application or Intent To Bid

- Step 1: Apply to participate or confirm intent to bid in the auction or reserve sale (PAR or an AAR)
 - Step 1a: Confirm intent to bid
 - Step 1b: Verify entity and account representative information
 - Step 1c: Provide information on bid guarantee form
 - Step 1d: Complete attestation and submit application
- If account representative or entity account information needs to be updated, these updates must be completed in the CITSS prior to completing Step 1.
- An application must be submitted or intent to bid confirmed in the Auction Platform by the PAR or an AAR by no later than 11:59 PM PT on the last day of the application period as listed in the Auction Notice.

Bid Guarantee Requirements

- Financial guarantee instruments for an auction or reserve sale must be in one or a combination of the following forms:
 - Cash in the form of wire transfer or certified funds such as a bank check or cashier's check.
 - An irrevocable letter of credit (LOC) from a financial institution with a U.S. banking license.
 - A bank bond issued by a financial institution with a U.S. banking license.
- All bid guarantees must be sent directly to the Financial Services Administrator by the deadline listed in the Auction Notice.

Determining Bid Guarantee

- Bidders submit a single bid guarantee that is used first for the Current Auction. Any remaining bid guarantee is applied to bids in the Advance Auction if the bidder submits bids for both auctions.
- *Bid guarantee determination example:*

Entity Name	Bid Price	Bid Lots	Bid Allowances	Total Costs
Entity A	21.26	130	130,000	2,763,800
Entity A	17.29	190	190,000	5,532,800
Entity A	14.46	135	135,000	6,579,300
Entity A	11.62	125	125,000	6,739,600

- *Recommended bid guarantee for Entity A is at least \$6,739,600.*
- *If the bid guarantee is \$10,000,000, the Current Auction settlement price is \$11.62 , and all allowances are awarded, then the bid guarantee remaining that would be applied to the Advance Auction would be: \$3,260,400 (=\$10,000,000 - \$6,739,600).*

Purchase Limits

- A purchase limit is the number of allowances one entity or a group of directly associated entities may purchase from the allowances sold at a quarterly auction.
- Purchase limits for the Current Auction are:
 - Covered entities and opt-in covered entities - fifteen (15) percent of the allowances offered for auction;
 - Electrical distribution utilities - forty (40) percent of the allowances offered for auction; and
 - All other auction participants - four (4) percent of the allowances offered for auction.
- Purchase limit for the Advance Auction of future vintage allowances is twenty five (25) percent of the allowances offered for auction for all participants.

Determining Your Purchase Limit

- Purchase Limit Calculation
 - Multiply your category's purchase limit by the total amount of allowances available for auction.
 - Example (Electrical Distribution Utility – Current Auction)
 - Total Number of Allowances for Sale = 3,900,000 allowances
 - Purchase Limit = $3,900,000 * 0.40 = 1,560,000$

Entity Category		Purchase Limit
Electrical Distribution Utility	40%	1,560,000
Covered Entity or Opt-In Covered Entity	15%	595,000
Voluntarily Associated Entity	4%	156,000

- Purchase limit for the Advance Auction is 25% for all entities.

Holding Limits

- Holding limit is the maximum number of GHG allowances that may be held by an entity or jointly held by a group of entities with a direct corporate association.
- Holding limit does not apply to allowances held in the Limited Use Holding Account.

Determining Your Holding Limit

- Holding Limit Calculation:
 - $\text{Holding Limit} = 0.1 * \text{Base} + 0.025 * (\text{Annual Allowance Budget} - \text{Base})$
 - “Base” equals 25 million metric tons of carbon dioxide equivalent (CO₂e)
 - “Annual Allowance Budget” is the number of allowances issued for the current budget year
 - For 2014, the annual allowance budget is 182,900,000 allowances
 - $\text{Holding Limit} = 0.1 * 25,000,000 + 0.025 * (182,900,000 - 25,000,000)$
 - 2014 Holding Limit = 6,447,500 allowances

Limited Exemption Holding Limit

- Covered entities may exclude a limited number of allowances from the holding limit calculation by placing them in their Compliance Account.
 - Cumulative calculation of an entity's compliance obligations less the number of instruments it surrenders.
- The limited exemption is increased each year by the amount of the entity's verified emissions report and is decreased at the end of the year following the close of a compliance period, after the entity has completed its triennial surrender, by the entity's total surrender obligation for the compliance period.

Limited Exemption

Holding Limit Determination

- Holding Limit = 6,447,500 + [Limited Exemption - allowances in the Compliance Account]
- If an entity's Limited Exemption is equal to 4,000,000 metric tons and it holds 1,000,000 allowances in its Compliance Account:
 - Holding Limit = 6,447,500 + [4,000,000 – 1,000,000] = 9,447,500 allowances.
- If an entity's Compliance Account balance is 4,500,000 allowances:
 - Holding Limit = 6,447,500 + [4,000,000 – 4,500,000] = 5,947,500.

Management of Holding Limits

- ARB provides the Auction Administrator the total number of allowances that may be successfully bid without exceeding the holding limit.
- Data is transferred to the Auction Administrator the day prior to an auction based on balances in CITSS accounts at approximately 12:00 PM (Noon) PT the day prior to the auction.
- The holding limit data transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction and will only reflect the account balances in CITSS the day before the auction.
- Account holders are responsible to ensure that there will be no holding limit violation once allowances are transferred after financial settlement is complete.

Auction Bidding

- Bidding window will be open 3 hours.
 - Bids can only be submitted during 3-hour bidding window as provided in the Auction Notice.
 - Manual bid entry or upload of Excel bid schedule.
 - Bid quantities can only be submitted in multiples of 1,000 GHG allowances.
- Amendments to bids.
 - Bids submitted can be revised or withdrawn during the 3-hour bidding window.
 - Once the bidding window closes, no further changes to bids or bid schedules are permissible.

Auction Bid Example

- When bidding in an auction, the Bid Price, Bid Lots, and Instrument Vintage are entered for each bid.
- The Bid Number of Allowances is calculated as the number of Bid Lots multiplied by 1,000 allowances.

Auction Bid Example:

Entity Name	Bid Price	Bid Lots	Bid Allowances	Instrument Vintage
Entity E	18.48	300	300,000	Current
Entity E	16.44	252	252,000	Current
Entity E	14.46	85	85,000	Current
Entity E	11.34	35	35,000	Current

Bid Limitations

- Auction bids are rejected if they violate the reserve price floor (\$11.34 per allowance).
- Auction bids rejected in lots of 1,000 if it:
 - Violates the holding limit if accepted
 - Violates the purchase limit if accepted
 - Exceeds the bid guarantee if accepted
 - Bid guarantee limitation is assessed at all possible settlement prices for an auction.
- Rejected bid quantities are not considered in determining the settlement price in an auction.

Bid Limitations Example

Bid Limitations Example: Entity D

Holding Limit	6,447,500
Purchase Limit	1,608,000
Bid Guarantee	\$28,427,200

Submitted Bids

Bid #	Bid Price	Bid Lots	Bid Allowances	Cumulative Allowances	Cumulative Cost
Bid #1	\$20.19	900	900,000	900,000	\$18,171,000
Bid #2	\$17.24	780	780,000	1,680,000	\$28,963,200

Qualified Bids – Purchase Limit

Bid #	Bid Price	Bid Lots	Bid Allowances	Cumulative Allowances	Cumulative Cost
Bid #1	\$20.19	900	900,000	900,000	\$18,171,000
Bid #2	\$17.24	708	708,000	1,608,000	\$27,721,920

Qualified Bids – Bid Guarantee

Bid #	Bid Price	Bid Lots	Bid Allowances	Cumulative Allowances	Cumulative Cost
Bid #1	\$20.19	900	900,000	900,000	\$18,171,000
Bid #2	\$17.24	748	748,000	1,648,910	\$28,411,520

Settlement and Bid Fulfillment Determination

- Submitted bids are ranked from highest to lowest by price after close of bidding window.
- Qualified bids are filled until reserve price is reached or price at which total allowances sold is equal to or exceeds total allowances offered for sale.
- Bid evaluation and settlement price for the Current Auction and Advance Auction are conducted separately, in consecutive order.
- If total qualified allowances bid exceeds total allowances offered, tiebreaker process is used.

Tiebreaker Process

Bidder Name	Bid Price	Bid Lots	Share	Share of Allowances Awarded	Random Number Assigned	Allowances Assigned Randomly
Bidder A	\$14.46	135	61.36%	29,454	5	1
Bidder E	\$14.46	85	38.64%	18,545	77	
		220		47,999		

- Total allowances remaining for sale at the settlement price is 48,000 allowances. Bids were placed for 220,000 allowances (220 lots X 1,000 allowances/lot) at the settlement price.
- Each entity's share is determined based on share of total qualified bids at the bid price (settlement price).
- Number of allowances awarded is determined as share multiplied by allowances remaining available to be sold (rounded down to nearest whole allowance).
- Remaining allowances are randomly distributed.

Market Monitoring

- ARB staff are actively monitoring the auctions, reserve sales, and market activities.
- The Market Monitor will work with ARB to evaluate auctions, reserve sales, and market activities.
- During an auction, the Market Monitor will review bidding activity and work with ARB to identify any bidding or trends of concern that may indicate manipulative or anti-competitive bidding behavior.
- After an auction, the Market Monitor will review and report to ARB on monitoring results.
- The Market Monitor will also review activity in the secondary markets.
- ARB staff provide final auction and reserve sale monitoring results to the Executive Officer.

Auction Results

- The public results report for an auction will be posted on the ARB website and the WCI, Inc. website.
 - The date the posting is anticipated is in the Auction Notice.
 - The posting is anticipated to occur at 12:00 (Noon) PT.
 - In the event of a delay, a message will be posted on the ARB website and WCI, Inc. website providing the new time for the release of the auction results.
- The results report provides general results and statistics of the auction.

Auction Results (cont.)

- Auction results will include the following:
 - Number of allowances available at auction
 - Number of allowances sold at auction
 - List of qualified bidders
 - Ratio of total quantity of submitted and qualified allowances bid to total allowances available for sale
 - Percent of allowances won by compliance entities (this category includes opt-in entities)
 - Auction Settlement Price
 - Auction Reserve Price
 - Herfindahl-Hirschman Index (HHI)
 - Bid Price Summary Statistics

Auction Results Notification

- Auction participants will receive an email from auctionsupport@markit.com to notify them that results are available for the auction.
- The results email will include notification to download the entity's Organization Results Report (financial settlement invoice) from the Auction Platform.
- Receipt of the email informing the entity of the availability of the Organization Results Report constitutes delivery of the financial settlement invoice.

Financial Settlement

- Successful bidders must download their Organization Results Report and submit the financial settlement amount no later than 7 days after certification of an auction.
- Wiring instructions can be downloaded from the Auction Platform in the reports and templates module.
- No bank/cashiers checks will be accepted.
 - Checks received will be returned and the bid guarantee will be drawn down to settle the invoice.
- The Financial Services Administrator will draw/liquidate the bid guarantees to cover any amounts due but not received by the deadline provided in the Auction Notice.

Questions and Answers

-Please submit questions in writing
through the webinar software

Participant Training

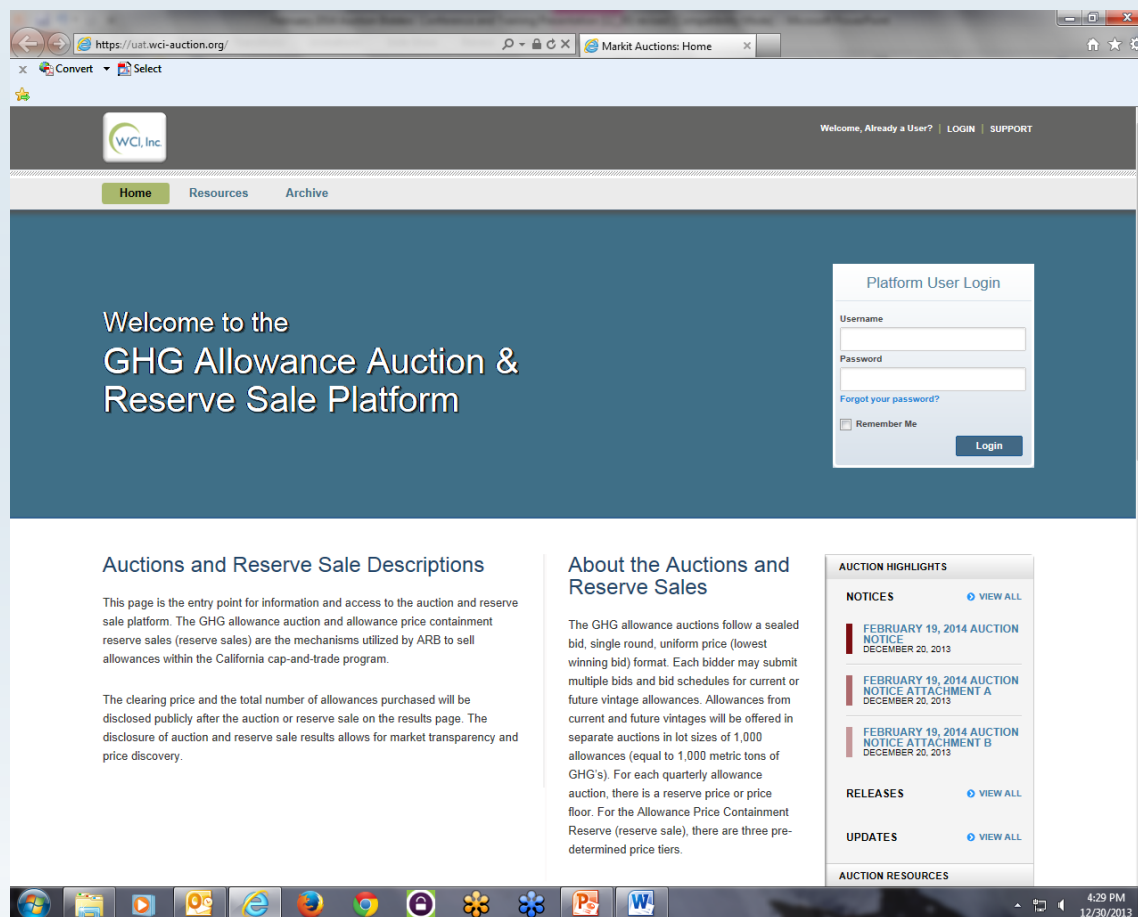
Webinar Agenda - Part 2

- Auction Platform
 - Overview
 - Auction Platform Emails
 - Auction Platform Account Activation
 - Auction Platform Accounts
 - Application or Intent to Bid
 - Bid Submission
 - Auction Results
- Financial Services Administration
- Resources and Training Materials
- Questions and Answers

Auction Platform Overview

- The Auction Platform has been designed to provide a state-of-the-art auction and reserve sale application for California's Cap-and-Trade Program.
- The Auction Platform is the central platform for administration of auctions and reserve sales that has been designed and developed to integrate with the other platforms.
- The Auction Platform allows participants to apply for, post bids to, and review results for auctions and reserve sales.

Auction Platform



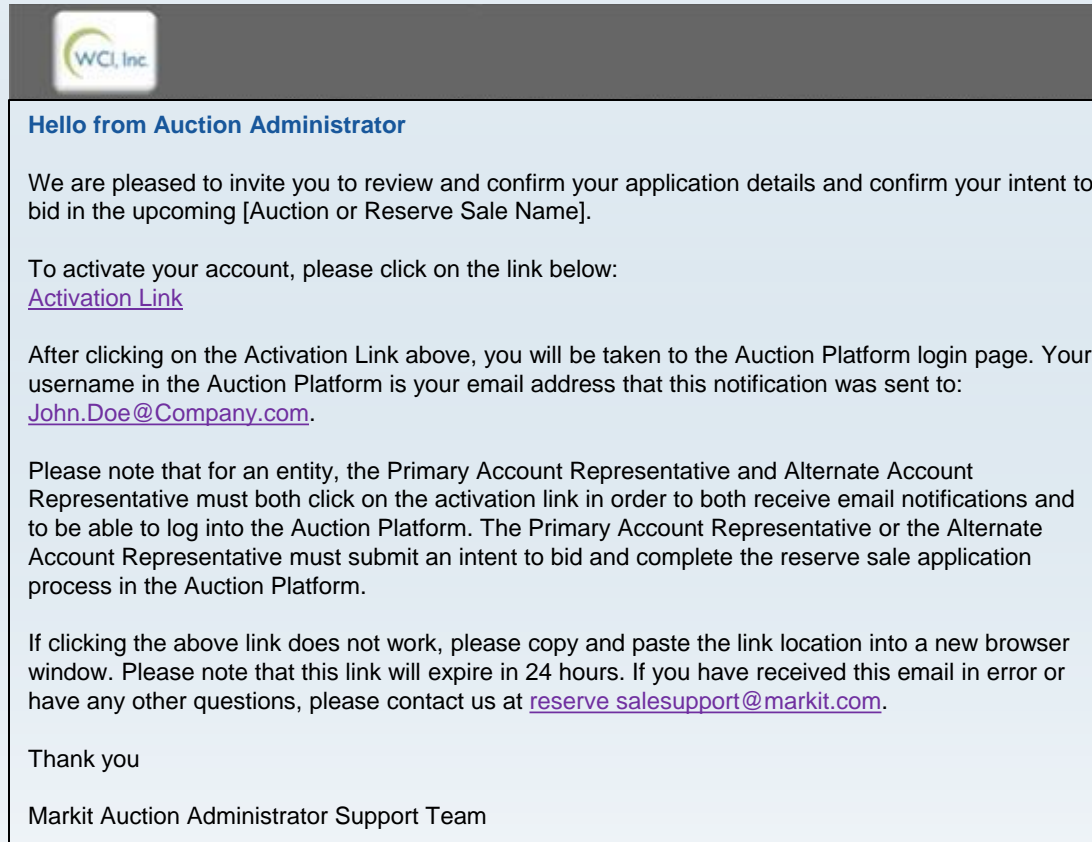
Auction Platform Emails

- Account Activation for Auction Platform
- Entity Application Received
- Entity Application Reviewed and Financial Services Administrator Account Established
- Bid Guarantee Accepted
- Entity Application Approval (or Denial)
- Auction or Reserve Sale Results Available
- Auction or Reserve Sale Closed

Auction Platform Account Activation

- A first time representative receives an Account Activation for Auction Platform email from auctionsupport@markit.com.
- The account activation email will contain a link to the Auction Platform – “Set Password” page where the representative will activate their Auction Platform account. The link will expire within 24 hours.
- Once your password is set, a user will be directed to the Auction and Reserve Sale Home Page and can log into the Auction Platform.

Auction Platform Email Account Activation



Note: Your username for the Auction Platform is the email address that the email invitation was sent to and NOT your CITSS username.

Auction Platform Accounts

- A representative (PAR or AAR) with an Auction Platform account established for a prior auction or reserve sale can log into the Auction Platform with the password previously established.
- Once an auction application period is open, the representatives will be able to access the Auction Platform to complete an application or submit an intent to bid.
- If a password is forgotten, you can access the “Forgot Password” link on the public page, answer the security questions, and receive a new activation link to reset your password.
- The Auction Platform requires each individual to establish security questions.

Representatives of Multiple Entities

The screenshot shows the 'Auction & Reserve Sale Platform' interface. A modal dialog titled 'Select an Account' is displayed in the center. The dialog contains instructions for selecting an account and a list of participant accounts to choose from. The background shows a navigation bar with 'Home', 'Resources', 'Auction', 'Application', and 'Auction' links, and a status indicator 'AUCTION IS CLOSED'. Below the dialog, an 'Auctions Calendar' is visible, showing a grid for Q4 2012.

Select an Account

Please select an account.

You are a Primary or Alternate Account Representative for multiple entities.

Select the Participant Account that you are representing during this session in the Auction and Reserve Sale Platform by clicking on the check box and click Log in.

To change the Participant Account that you are representing, you must log out of the Auction and Reserve Sale Platform and log in again to select a different Participant Account.

If you need further assistance in selecting the correct Participant Account, please contact Market Support at auctionsupport@market.com.

Select Participant Account

- ☐ Covered Entity 1
Covered Entity 2 - CA1000-1000
- ☐ Covered Entity #1
Covered Entity #1 - CA1008-1018
- ☐ LL Jones
- CA1009-1017
- ☐ Utility #1
Utility #1 - CA1001-1002

Cancel Log In

Auctions Calendar

Q4 2012

Week Quarter

Oct 2012 Nov 2012 Dec 2012

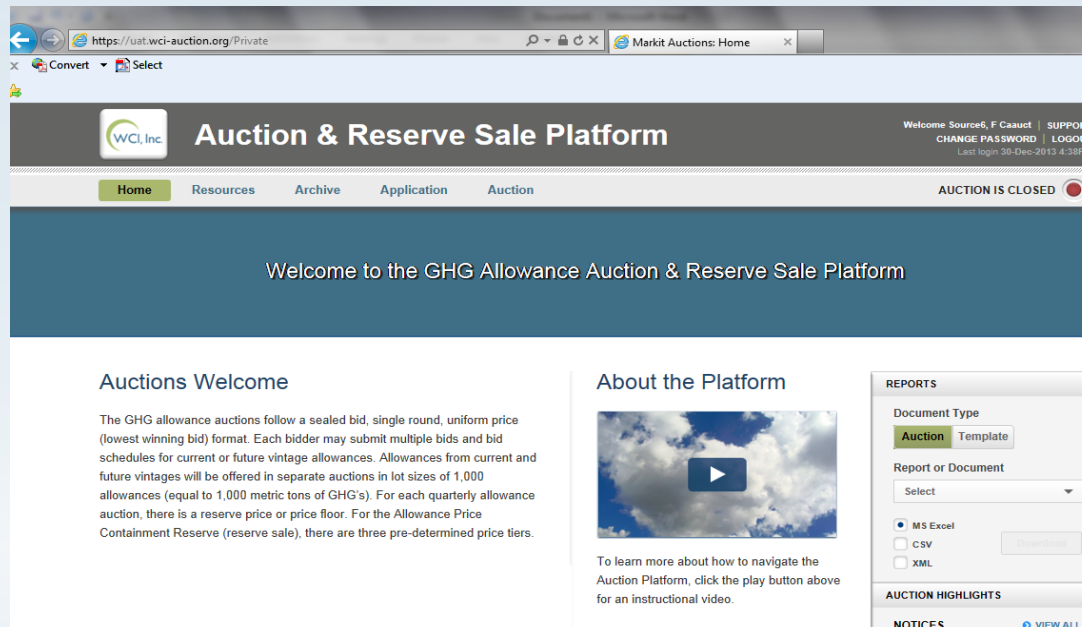
MON TUE WED THU FRI SAT SUN MON TUE WED THU FRI SAT SUN MON TUE WED THU FRI SAT SUN

Application or Intent to Bid

- One account representative must submit an application or intent to bid in the Auction Platform for the entity.
 - Step 1a: Confirm intent to bid
 - Step 1b: Verify entity and account representative information
 - Step 1c: Provide information on bid guarantee form
 - Step 1d: Complete attestation and submit application
- For simplicity, the Auction Platform uses the term application whether an initial application or intent to bid is being submitted.
- An application or intent to bid must be submitted by 11:59 PM PT on the last day of the application period provided in the Auction Notice.

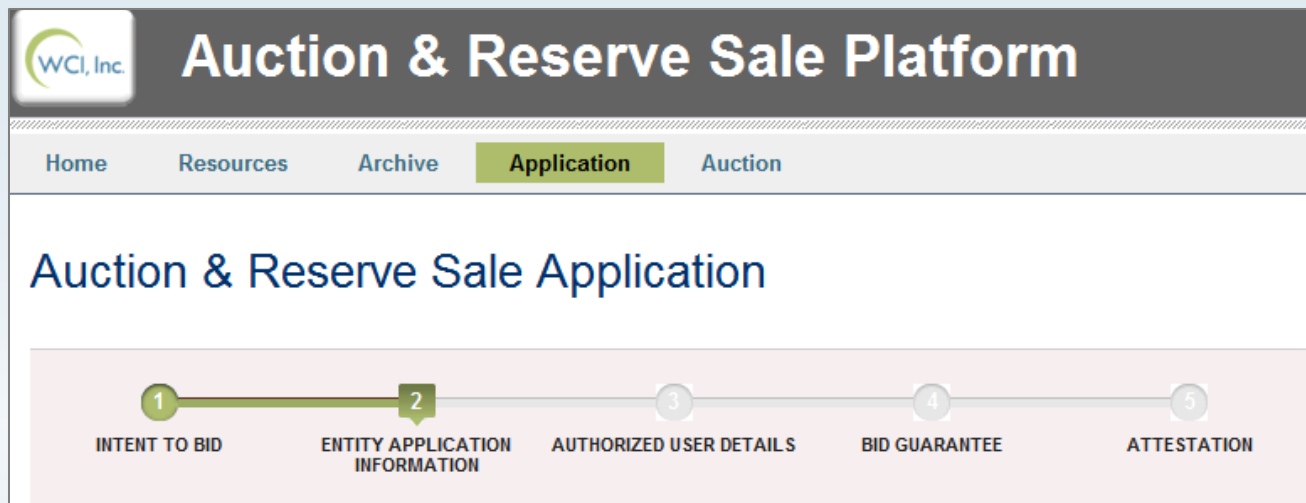
Application or Intent to Bid (cont.)

- Once you log into the Auction Platform you will be directed to the Auction Platform landing page and then you should proceed to the Application tab on the top banner.



Application or Intent to Bid (cont.)

- One representative from each entity will access the Auction Platform to complete the entity application or intent to bid confirmation process.
- The processes are designed to be user friendly with visual cues and easily accessible information on how to proceed.



Application or Intent to Bid (cont.)

- **Step 1: Confirm Intent to Bid**

To confirm your intent to bid in the auction, you will need to select the auction from the drop down list.

Do you intend to bid?

Our entity intends to bid in the upcoming auction or reserve sale:

Select Auction ▼

Please note: *If you are a covered entity and would like to participate in both the auction and reserve sale, please submit your intent to bid and complete your application for the upcoming auction. You will need to submit a separate intent to bid for the reserve sale.*

Back

Cancel

Confirm & Continue

Application or Intent to Bid (cont.)

- **Step 2: Verify your entity application information**
 - Entity and individual application details will be pre-populated from the CITSS account information. Please review the pre-populated fields for consistency with your CITSS information.
 - Any changes must be made through the CITSS and, if required, approved by the California Registrar at least 1 day prior to the close of the application window.

Application or Intent to Bid (cont.)

- **Step 3: Verify Account Representatives**

Review the pre-populated fields for consistency with your CITSS account information.

Verify your account representative details.

Primary Account Representative

Name
Lucy Lee

Email
lucy.lee@markitco.com

Phone
7032846104

Alternate Account Representative

Name
John Black

Email
john.black@markitco.com

Phone
1234567892

[Back](#) [Cancel](#) [Confirm & Continue](#)

Application or Intent to Bid (cont.)

- **Step 4: Submit Bid Guarantee Information**

Entities must indicate the form of bid guarantee (cash or wire transfer, letter of credit, or bank bond) in the Auction Platform, but will submit the bid guarantee directly to the Financial Services Administrator no later than the deadline provided in the Auction Notice.

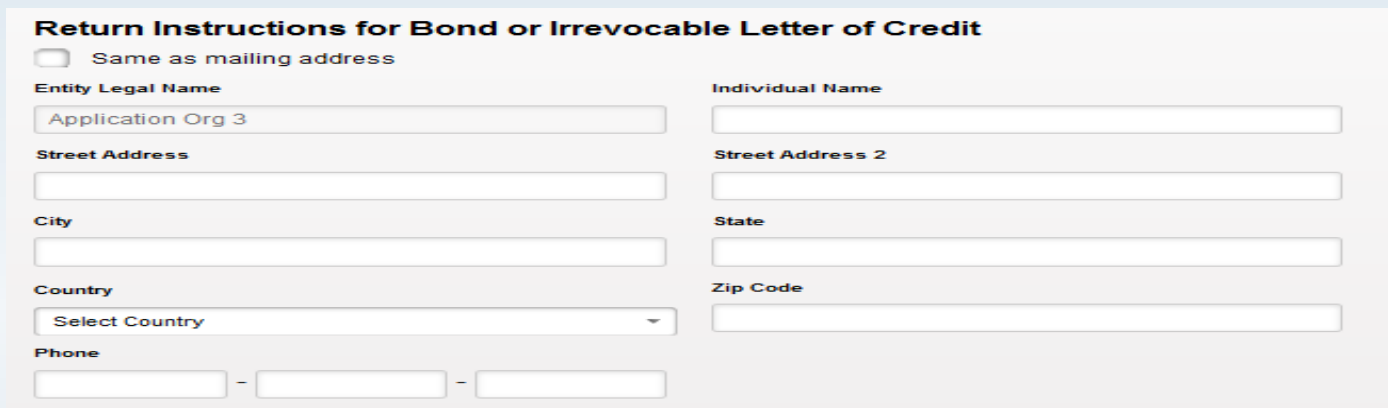
Please submit your bid guarantee in one or a combination of the following forms from a financial institution.

Which form do you plan to submit?

- ☐ Cash in the form of a wire transfer or certified funds, such as a bank check or cashier's check
- ☐ Irrevocable Letter of Credit
- ☒ Surety Bond / Bank Bond

Application or Intent to Bid (cont.)

- **Step 4: Submit Bid Guarantee Information (cont.)**
Once you make the bid guarantee selection(s), forms for return instructions will be automatically generated in the Auction Platform:
 - For Irrevocable Letters of Credit and Bank Bonds, complete the required Return Instructions form (as shown below).



Return Instructions for Bond or Irrevocable Letter of Credit

☐ Same as mailing address

Entity Legal Name <input type="text" value="Application Org 3"/>	Individual Name <input type="text"/>
Street Address <input type="text"/>	Street Address 2 <input type="text"/>
City <input type="text"/>	State <input type="text"/>
Country <input type="text" value="Select Country"/>	Zip Code <input type="text"/>
Phone <input type="text"/> - <input type="text"/> - <input type="text"/>	

Application or Intent to Bid (cont.)

- **Step 5: Attestation**

The final step of the application or intent to bid confirmation process is to certify to the attestation as shown below. This step is required by all auction participants.

Do you attest that all information is correct?

The following attestation is required.

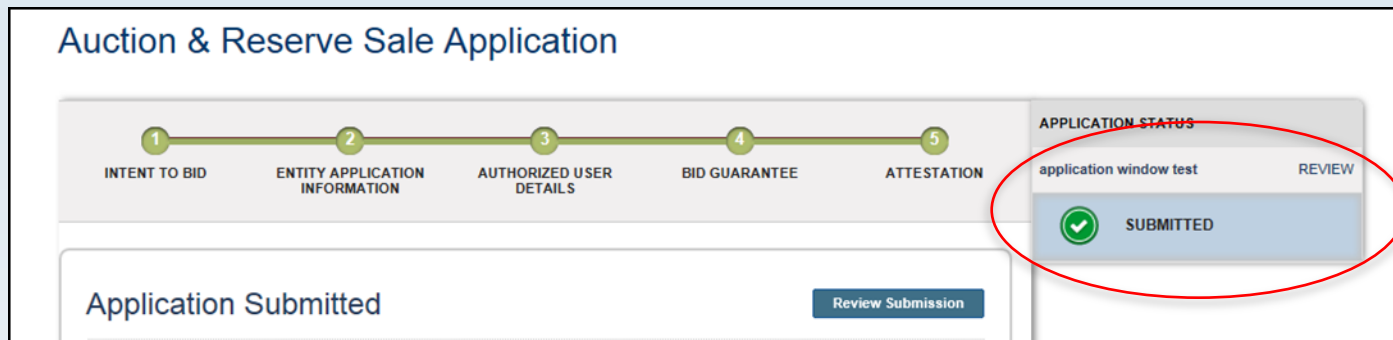
I certify that the entity has not been the subject of any previous or currently pending investigations related to any alleged violation of any law, rule, or regulation in connection with any commodity market, exchange, or by the Securities and Exchange Commission or Commodity Futures Trading Commission.

If no, please provide an explanation:

Explanation

Application Status

- Once a participant has submitted their application or intent to bid, the Application Status bar on the right hand side of the Auction Platform will show the application status as submitted with a green checkbox.



- Participants will receive an email from auctionsupport@markit.com confirming receipt of the application.

Example Application Received Email



Hello from Auction Administrator

Thank you for applying for the upcoming [Auction or Reserve Sale Name]. Your request is under review.

Outlined below are the next steps in the auction and reserve sale application approval process:

- The Financial Services Administrator, Deutsche Bank National Trust Company, will establish your account.
- Once your account is established, you will be informed of the process to submit your bid guarantee for the upcoming [Auction or Reserve Sale Name].
- Once the Financial Services Administrator receives your bid guarantee, ARB will complete the final application review. You will be informed of your qualification status to participate in the reserve sale no later than two business days prior to the reserve sale.

If you have any questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Example Application Approved



Hello from Auction Administrator

Your application for the upcoming [Auction or Reserve Sale Name] has been approved.

The auction window will be open from [10:00 AM to 1:00 PM PST on [Auction or Reserve Sale Date]. More information on the auction, including an instructional video and user guide, can be found in the Auction Platform under the Resources tab.

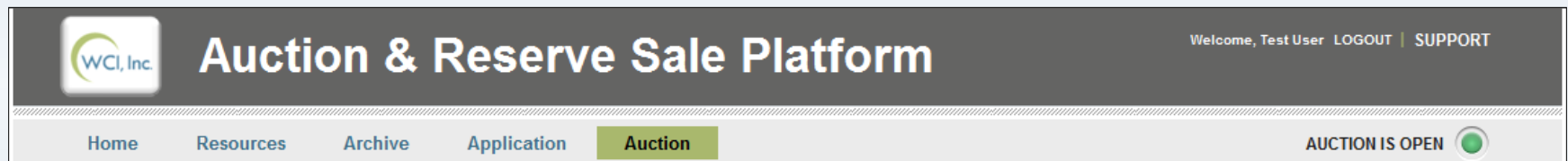
If you have any questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Bid Submission Bidding Window

- The bidding window can be accessed by clicking on the Auction tab on the top banner of the Auction Platform.
- The auction participants will be able to see whether the auction window is open or closed on the right hand side of the top banner of the Auction Platform by either a green or red light.
 - A green light signifies the auction bidding window is open.
 - A red light signifies that the auction bidding window is closed.



Bid Submission

- Participants will be able to submit bids manually and upload bid schedules in the Auction Platform during the 3-hour bidding window.
- For each bid the following must be entered:
 - Bid Price
 - Number of Bid Lots (1 lot = 1,000 allowances)
 - Vintage
- The Number of Total Allowances will be calculated based on Number of Bid Lots entered.

Bid Submission Auction Page

- To manually submit a single bid, select the “Add Bid” button.
- To submit multiple bids from a bid schedule, select the “Upload Bids” button.
- Auction participants will be prompted to enter their bids in United States Dollars (“USD”) in whole cents, only.
- Participants can edit or withdraw their bids submitted during the 3-hour auction bidding window.

The screenshot shows the 'Auction' tab selected in the top navigation bar. The page title is 'Test Auction 2014 Details'. Below this, there are two tables: 'Current' and 'Future - 2017'. The 'Current' table shows a Reserve Price of USD \$11.34, Total Allowance of 19,000,000, Total Allowance Bid of --, and Total Bids of --. The 'Future - 2017' table shows a Reserve Price of USD \$11.34, Total Allowance of 9,000,000, Total Allowance Bid of --, and Total Bids of --. Below these tables is a 'Bidding Closes In' section with a red progress bar and a timer showing 03:23:11. To the right of the timer are two time zones: PT (10:36:48) and ET (13:36:48). Below the timer is a 'Submitted Bids' section with two buttons: 'Add Bid' and 'Upload Bids'. Below these buttons is a table with columns: Bid Number, User, Time, Client Bid ID, Transaction ID, Currency, Bid Price, Bid Lots, Vintage, and Total Allowances. The table has one row with the following data: Bid Number 1, User 1:35:51pm, Client Bid ID, Transaction ID, Currency USD, Bid Price 25.33, Bid Lots 12, Vintage Current, and Total Allowances 12,000. To the right of the table are two buttons: 'Cancel' and 'Submit'. To the right of the 'Submitted Bids' section is a 'QUICK TIPS' section with the title 'Adding Bids' and the text: 'To add a single bid, select the Add Bid button and a new row will be created for your bid. In the new row, enter the bid data, select the Submit button to submit the bid and the Confirm button to confirm the'.

Test Auction 2014 Details							
Current				Future - 2017			
Reserve Price	Total Allowance	Total Allowance Bid	Total Bids	Reserve Price	Total Allowance	Total Allowance Bid	Total Bids
USD \$11.34	19,000,000	--	--	USD \$11.34	9,000,000	--	--

Bidding Closes In **03:23:11** (3 Hours | 2 Hours | 1 Hour)

PT **10:36:48** ET **13:36:48**

Submitted Bids

Add Bid **Upload Bids**

Bid Number	User	Time	Client Bid ID	Transaction ID	Currency	Bid Price	Bid Lots	Vintage	Total Allowances
1		1:35:51pm			USD	25.33	12	Current	12,000

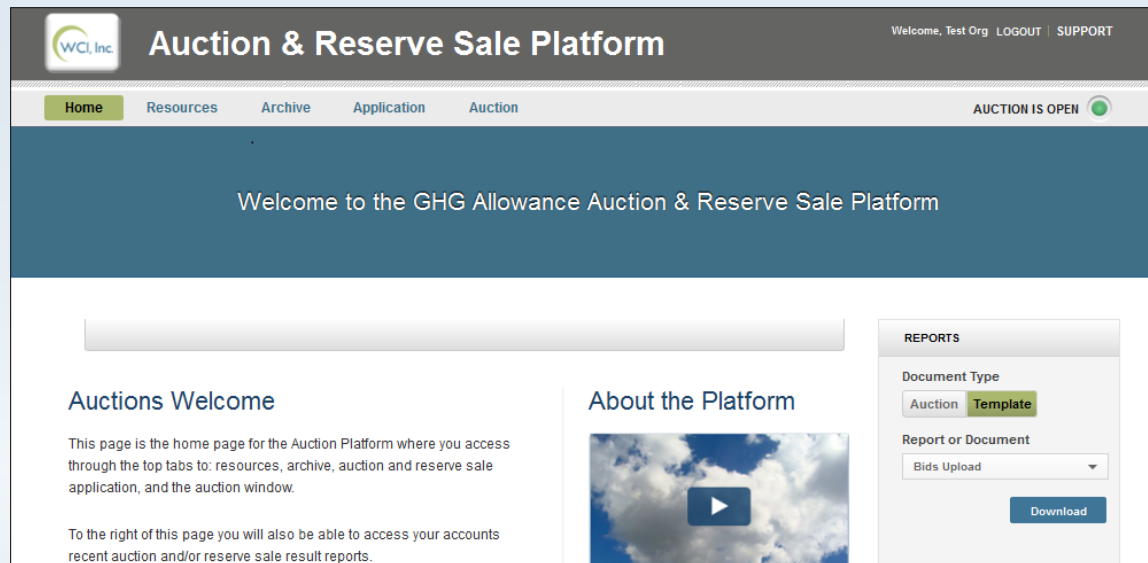
Cancel **Submit**

QUICK TIPS
Adding Bids
To add a single bid, select the Add Bid button and a new row will be created for your bid. In the new row, enter the bid data, select the Submit button to submit the bid and the Confirm button to confirm the

Bid Submission


Upload Bid Schedule

- Bid schedules are uploaded based on a pre-formatted spreadsheet available from the Auction Platform Home page to the right under Reports template or from the Auction page.
- There are separate pre-formatted spreadsheets available from the Auction Platform for each auction.



Bid Submission

Upload Bid Schedule Example

	A	B	C	D	E	F	G	H	I
1		Auction and Reserve Sale Platform							
2		Auction Bid Upload Template							
3									
4	Currency:	Select the currency in which you would like to bid from the drop down.							
5	Bid Price:	Enter the price in whole dollars and whole cents.							Vintages
6	Bid Lots:	Enter the number of lots. Each lot is 1,000 allowances.							2014
7	Bid Allowances:	Total Bid Allowances is calculated as Bid Lots multiplied by 1,000.							2017
8	Instrument Vintage:	Select the allowance vintage from the drop down.							
9									
10	Currency	Bid Price	Bid Lots	Bid Allowances	Instrument Vintage				
11				0					
12				0					
13				0					
14				0					
15				0					
16				0					
17				0					
18				0					
19				0					
20				0					
21				0					
22				0					

- All bids will be uploaded from the spreadsheet into the bidding window and are viewable on the Auction tab.
- During the bidding window an individual bid uploaded from the bid schedule may be deleted or edited.

Bid Submission

Upload Bid Schedule Example (cont.)

- Bid schedules can be uploaded during the bidding window using the Upload Bids function.
- The Upload Bids function is completed in 3 easy steps:
 1. Select Document – Excel spreadsheet with bids
 2. Process Spreadsheet – Upload bids from the spreadsheet for submittal
 3. Submit Bids – Confirm the spreadsheet and Submit the bids uploaded from the selected spreadsheet

The screenshot displays a web interface titled "Upload Bids" with a progress bar at the top indicating three steps: 1. SELECT DOCUMENT, 2. PROCESS SPREADSHEET, and 3. SUBMIT BIDS. Step 1 is currently active. Below the progress bar, there are three main panels. The first panel, labeled "1 SELECT DOCUMENT", contains a "Select Document" section with a text input field and a "Browse" button. Below this is a link to "Download Excel Template" and a note: "Note: After adding event data, save the template as an .xls or .xlsx file". The second panel, labeled "2 PROCESS SPREADSHEET", is currently empty. The third panel, labeled "3 SUBMIT BIDS", is also currently empty.

Bid Submission

Upload Bid Schedule Example (cont.)

- Bid Upload Function Step 3

The image displays two overlapping screenshots of a web application's 'Upload Bids' dialog box, illustrating Step 3 of the bid submission process. The dialog box features a progress bar at the top with three steps: 1. SELECT DOCUMENT, 2. PROCESS SPREAD SHEET, and 3. SUBMIT BIDS. The third step is currently active.

Top Screenshot (Initial State):

- Select Document:** A text box contains 'Upload Bids Template - 323(EtoE1).xlsx' with a 'Browse' button. Below it, a link 'Download Excel Template' is followed by a note: 'Note: To select a spreadsheet, select Browse. File uploaded must be in Excel .xlsx or .xls format.'
- Completed:** A large gray box with the word 'Completed' in the center.
- File Confirmation:** A box containing the text: 'Excel Template Upload Bids Template - 323(EtoE1).xlsx has been selected to be uploaded. Please confirm this is the correct file.' Below this, instructions are listed: 'Click "Confirm" to upload the bids.', 'Or, Click "Cancel" to close the Upload Bids dialog box.', and 'OR Click "Browse" (Step 1) to upload a different file.' At the bottom are 'Cancel' and 'Confirm' buttons.

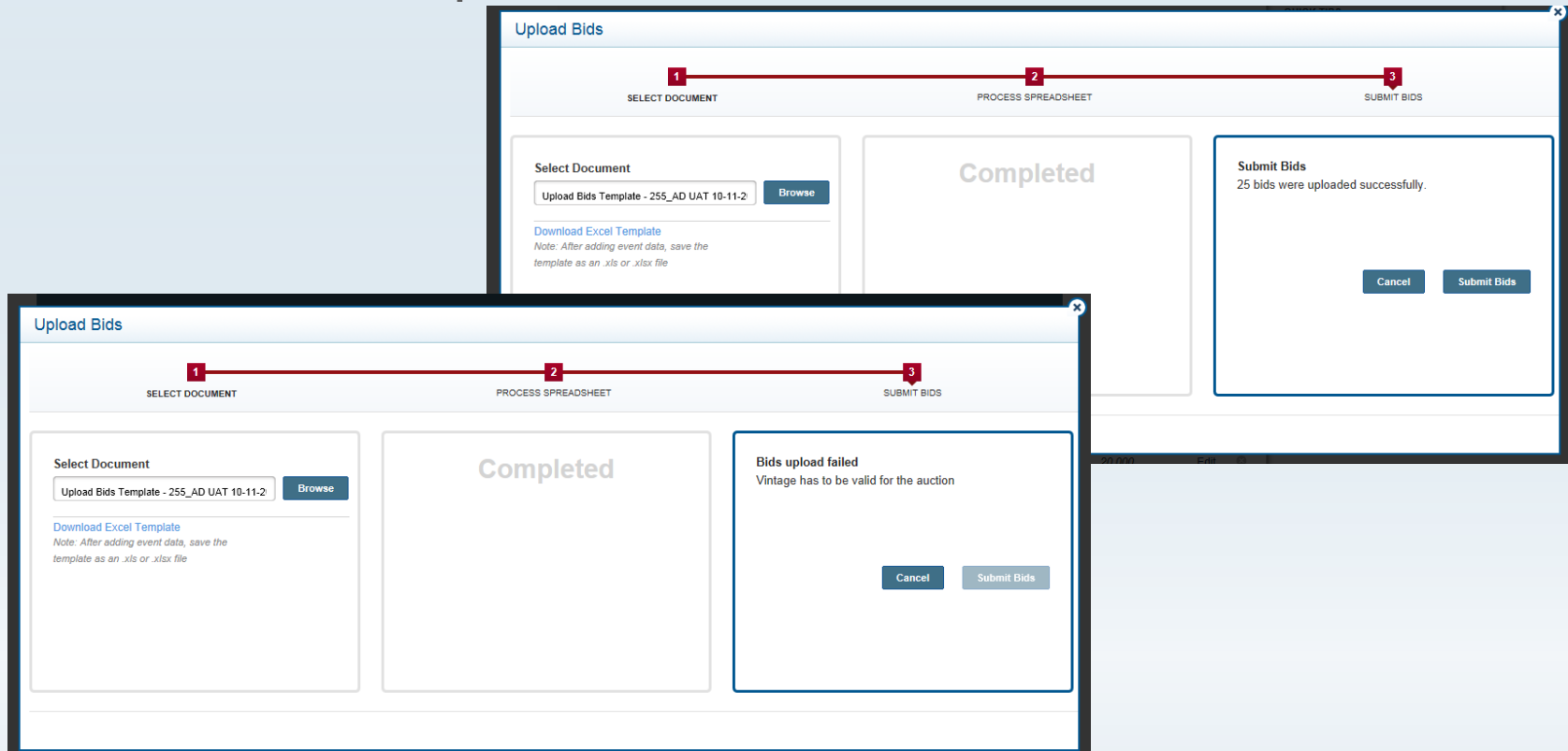
Bottom Screenshot (Post-Confirmation State):

- Select Document:** The text box now shows 'Upload Bids Template - 323(EtoE1).xlsx' with the 'Browse' button. The 'Download Excel Template' link and note remain.
- Completed:** The large gray box with 'Completed' remains.
- Bids Successfully Uploaded for Submittal:** A box containing the text: '6 bids were successfully uploaded.' Below this, instructions are listed: 'Click "Submit" to complete the bid submittal process.', 'OR Click "Cancel" to close the upload bid dialog box.', and 'OR Click "Browse" (Step 1) to upload a different file.' At the bottom are 'Cancel' and 'Submit' buttons.


At the bottom right of the bottom screenshot, the text 'submitted bid is accurate' is visible.

Bid Schedule Submission

- The Auction Platform will confirm successful or failed bid schedule upload.









Bid Deletion and Editing

- During the bidding window a bid may be deleted or edited.
 - To delete, click the  and then click “Yes” to confirm the Bid Removal
 - To edit, click “Edit” and make required changes. Changes are confirmed by clicking “Submit,” similar to the process of initial entry of the bid.

Submitted Bids

[Add Bid](#) [Upload Bids](#)

Bid Number	User	Time	Client Bid ID	Transaction ID	Currency	Bid Price	Bid Lots	Vintage	Allowances	Total	
6	Test_Primary	Test_Primary	1:41:37pm	B64A4	92267	USD	\$12.56	72	Current	72,000	Edit 
5	Test_Primary	Test_Primary	1:41:18pm	A64A4	92349	USD	\$11.34	99	Current	99,000	Edit 
4	Test_Primary	Test_Primary	1:40:58pm	964A4	92348	USD	\$33.19	6	Current	6,000	Edit 
3	Test_Primary	Test_Primary	1:40:39pm	864A4	92266	USD	\$14.99	15	Current	15,000	Edit 
2	Test_Primary	Test_Primary	1:40:06pm	764A4	92347	USD	\$17.00	6	Current	6,000	Edit 
1	Test_Primary	Test_Primary	1:39:41pm	664A4	92265	USD	\$12.54	12	Current	12,000	Edit 

QUICK TIPS

Adding Bids

To add a single bid, select the Add Bids step in the process of selecting the Excel file to upload, processing the spreadsheet, and submitting your bids.

Bid Removal

Are you sure you want to remove this bid?

[No](#) [Yes](#)

[Download Excel Template](#)

Bid Submission Confirmation

The screenshot displays the 'Auction & Reserve Sale Platform' web application. The header includes the WCI, Inc. logo, the platform name, and user information: 'Welcome securityuser1, security test | SUPPORT | CHANGE PASSWORD | LOGOUT | Last login 02-Jan-2014 12:41PM'. A navigation bar contains links for 'Home', 'Resources', 'Archive', 'Application', and 'Auction'. A status indicator on the right shows 'AUCTION IS OPEN' with a green circle. The main content area features a large blue banner with the text 'Welcome to the GHG Allowance Auction & Reserve Sale Platform'. Below this, a section titled 'The next Quarterly Auction will be held on January 02, 2014' includes a digital countdown timer showing '00:00:00' (Days, Hours, Mins). A box below the timer displays 'Auction Reserve Price \$11.34 USD'. On the right, a 'REPORTS' sidebar lists 'Document Type' (Auction, Template) and 'Report or Document' (Select, Organization Results, Bids Audit). A 'Test Auction 2014' button is visible below the sidebar. The bottom left of the page shows 'Auctions Welcome' and a partial description of the auction process.

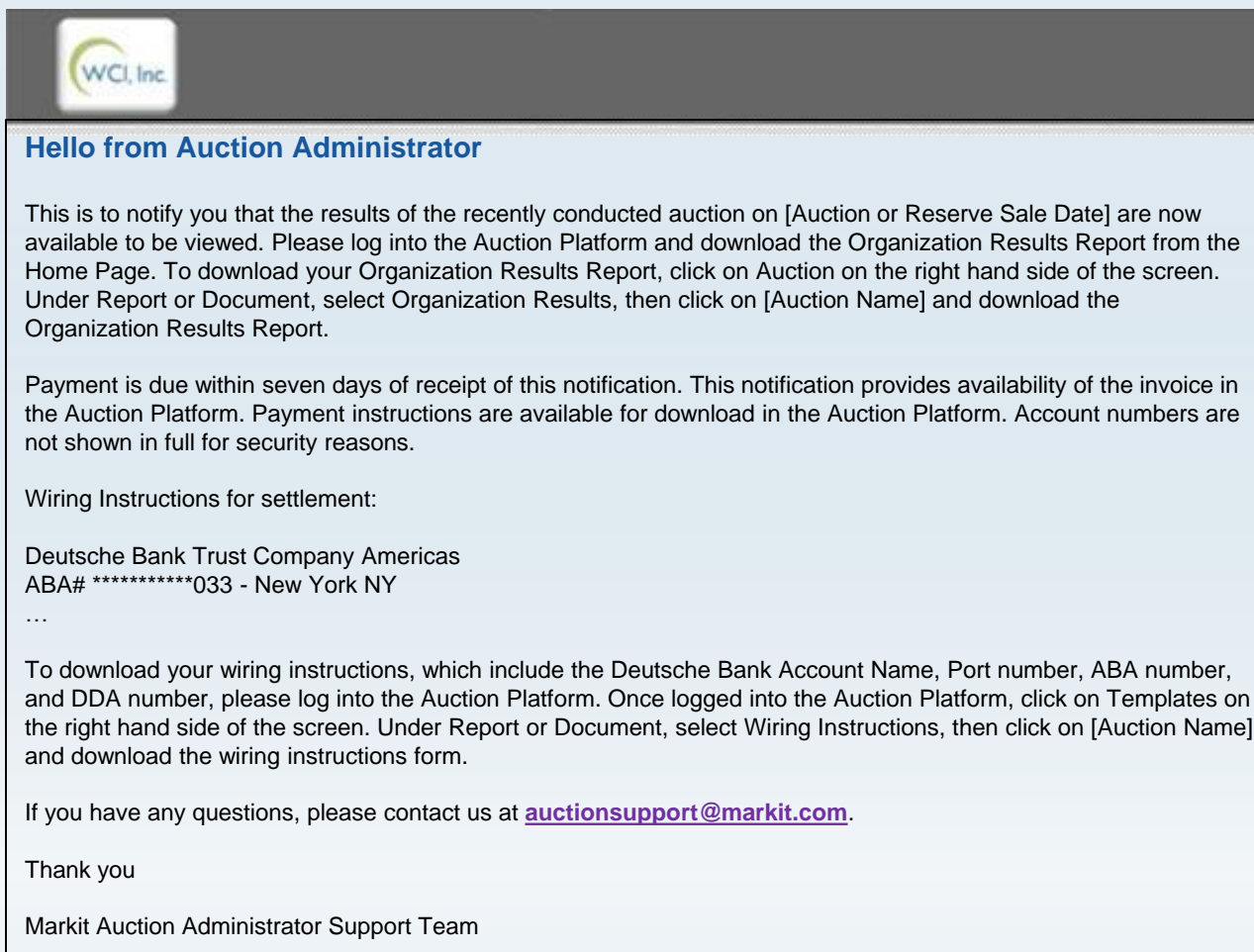
Example Client Bid Audit Report

	A	B	C	D	E	F	G	H	I	J	K	L
1	Date	1/7/2014										
2	Auction	Auction Name										
3												
4	Update Type	Update Time	Update By	Account Holding Number	Client Bid ID	Transaction ID	Bid Submission Time	Currency	Bid Price	Bid Lots	Vintage	Total Allowances
5	Created	13:14:21 PT	john@testcompany.com	CAXXXX-XXXX	90A3	5118	13:14:21 PT	USD	11.34	150	2014	150,000
6	Created	15:14:33 PT	sally@testcompany.com	CAXXXX-XXXX	70B2	5377	15:14:33 PT	USD	12.44	100	2014	100,000
7	Updated	15:18:44 PT	sally@testcompany.com	CAXXXX-XXXX	70B2	5899	15:18:44 PT	USD	12.44	200	2017	200,000
8	Created	16:44:13 PT	fred@testcompany.com	CAXXXX-XXXX	D132	5877	16:44:13 PT	USD	13.01	350	2017	350,000
9												

Auction Results

- Auction participants will receive an email from auctionsupport@markit.com to notify them that results are available for an auction.
- The results available email will include notification to download the Organization Results Report (financial settlement invoice) from the Auction Platform.
- Receipt of the email informing the entity of the availability of the Organization Results Report constitutes delivery of the financial settlement invoice.

Example Results Available Email



Financial Services Administration

- Application Review and Account Established
- Bid Guarantee Process
- Bid Guarantee Requirements
- Bid Guarantee Review
- Bid Guarantee Revisions
- Financial Settlement
- Bid Guarantee Return

Application Review and Account Established

- Financial Services Account Established (first time auction or reserve sale participant) or Verified (previous auction or reserve sale participant).
 - Email notification from auctionsupport@markit.com upon account being established with instructions on how to obtain your account number and submit your bid guarantee.
 - Upon receipt of this email, you can deposit your bid guarantee with the Financial Services Administrator.
 - Wiring Instructions Template on Reports Tab.
 - Refer to Auction Notice for updated mailing instructions.

Example Application Review and Account Established Email



Hello from Auction Administrator

This is to inform you that your application has been reviewed and your account has been established with the Financial Services Administrator - Deutsche Bank National Trust Company. The next step in the application process is to submit your bid guarantee for the upcoming [Auction or Reserve Sale Name]. Please be sure to submit your bid guarantee by no later than 2:00 PM Pacific Time on [Bid Guarantee Due Date].

Below is your bid guarantee account information. Account numbers are not shown in full for security reasons.

Deutsche Bank Account Number: *****

Deutsche Bank Account Name: Company Name

Wiring Instructions for cash:

Deutsche Bank Trust Company Americas

ABA#

...

Mailing/Federal Express Instructions for Certified Checks, Letters of Credit and Bond forms:

Payable to Deutsche Bank National Trust Company

Mailing Address:

...

To download your wiring instructions, which include the Deutsche Bank Account Name, Port number, ABA number, and DDA number, please log into the Auction Platform. Once logged into the Auction Platform, click on Templates on the right hand side of the screen. Under Report or Document, select Wiring Instructions, then click on [Reserve Sale Name] and download the wiring instructions form.

...

Bid Guarantee Submittal Process

- All bid guarantees must be received by the Financial Services Administrator by the deadline provided in the Auction Notice.
- You are encouraged to send in your bid guarantee as soon as you receive the email that your account has been established with the Financial Services Administrator.
 - Please refer to the Auction Notice for the Financial Services Administrators' bid guarantee delivery address.
- Once your bid guarantee is received, reviewed, and deposited by the Financial Services Administrator, you will receive an email from auctionsupport@markit.com confirming your bid guarantee was received by the Financial Services Administrator.

Bid Guarantee Requirements

– Cash or Wire Transfer

- Cash wire transfers or certified funds must be received by the Financial Services Administrator by the deadline provided in the Auction Notice.
- The cash wire details will include the following information:
 - Bank Name
 - Beneficiary name
 - Account number
 - ABA routing number
 - Payment Details
- Cash or wire transfer bid guarantees submitted to the Financial Services Administrator will be used to pay for the allowances purchased.

Bid Guarantee Requirements

– LOC or Bank Bond

- LOC or Bank Bond must be issued by a U.S. Financial Institution with a U.S. Banking License.
- The required terms for an LOC or Bank Bond are:
 - The LOC or Bank Bond must refer to the CITSS Entity Legal Name or Entity Operating Name as provided in the participant's application.
 - Deutsche Bank National Trust Company must be named as beneficiary.
 - LOC must be irrevocable.
 - The amount of the LOC or Bank Bond must be included.

Bid Guarantee Requirements

– LOC or Bank Bond (cont.)

- The expiration or maturity date must be no earlier than 21 days after the scheduled auction.
- There must be instructions on where to submit the LOC or Bank Bond for payment and contact information for the LOC Bank.
- The Financial Services Administrator must be able to submit a draw via facsimile.
- LOC must include a payment certificate/form of draw as an annex or exhibit.
- LOC must be payable within 1 business day.
- The Financial Services Administrator has provided a sample of an acceptable form of LOC in the Auction Platform to assist participants as they work with their financial institutions to determine the type of bid guarantee they will submit.

Bid Guarantee Review

- The Financial Services Administrator will review and communicate any deficiencies with bid guarantees submitted to the bidder.
- The bidder will need to work with their financial institution to resolve deficiencies.
- Bidders that intend to submit either an LOC or Bank Bond are encouraged to remit it as soon as they are notified that their account has been established or verified by the Financial Services Administrator.

Bid Guarantee Revisions

- If a bid guarantee provided to the Financial Services Administrator needs to be revised:
 - The applicant would be notified by the Financial Services Administrator.
 - The applicant would contact their financial institution and request an amendment to their bid guarantee.
 - An amendment **MUST** be completed and received by the Financial Services Administrator in advance of the bid guarantee submittal deadline.
- If a bidder after submitting a bid guarantee finds they need to revise the guarantee, they should contact the Financial Services Administrator.

Example Bid Guarantee Received Email



Hello from Auction Administrator

This is to notify you that the Financial Services Administrator has received and successfully processed your bid guarantee for the upcoming [Auction or Reserve Sale Name]. Your application is now pending ARB approval.

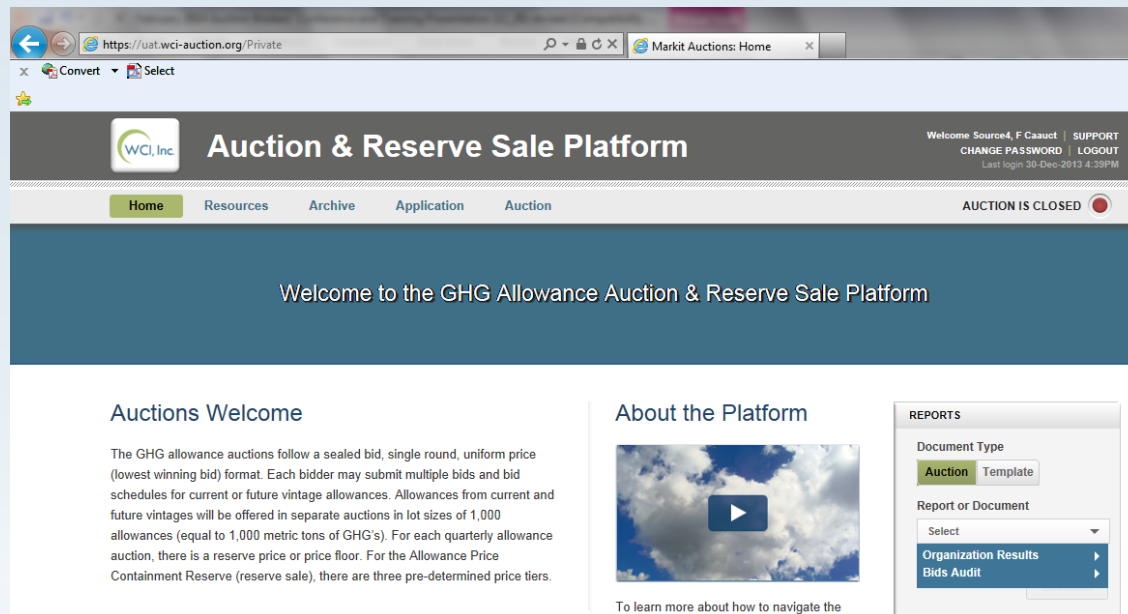
If you have any questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Financial Settlement

- Successful bidders download their Organization Results Report (financial settlement invoice) from the Auction Platform.



Financial Settlement Invoice

- Auction Information
 - Settlement Price (Current and Advance)
 - # of Successful Bids (Current and Advance)
 - Total Bid Cost (Current, Advance, and Total)
- Account Information
 - Bid Guarantee Submitted
 - Amount Due to Financial Services Administrator
 - Wiring Instructions
- Bid Information
 - Successful Bids – Quantity and Cost
 - Instrument Vintage
 - Bid Price

Financial Settlement

- For successful bidders that submitted a cash bid guarantee, the cash will be applied to the settlement amount owed.
- Successful bidders that submitted an LOC or Bank Bond as a bid guarantee must provide payment in cash, no later than 7 days after receipt of the email notification of availability of the results.
 - Wiring instructions can be downloaded from the Auction Platform.
 - No bank/cashiers checks will be accepted.
 - Any checks received will be returned and the Financial Services Administrator will draw on the bid guarantee to settle the invoice.
 - If you are submitting payment via an ACH wire, you should allow an additional 24 hours for the funds transfer to be completed
- Financial Services Administrator will draw/liquidate the bid guarantees to cover any amounts due but not received from a successful bidder by the due date and time.

Bid Guarantee Return

- All bid guarantees for unsuccessful auction applicants or bidders, regardless of type, will be returned approximately 3 business days after the auction or reserve sale is certified.
- For successful bidders, any unused cash bid guarantee will be returned no later than 12 business days after an auction or reserve sale is certified.
- Any LOC or Bank Bond will be returned no later than 12 business days after certification of an auction or reserve sale.

Example Final Email



Hello from Auction Administrator

This email is to notify you that the recent [Auction or Reserve Sale Name] is final. Financial settlement is complete and the Auction is now closed.

If you have any questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Note: your username for the Auction Platform is the email address that the email invitation was sent to and NOT your CITSS username.

Resources & Training Material

- Training materials are available on the Resources tab of the Auction Platform.
- Training materials available from the public Home page of the Auction Platform include:
 - Auction and Reserve Sale Guide
 - Frequently Asked Questions (FAQs)
 - Calendar of auction and reserve sale activities
- Additional materials will be available to auction and reserve sale participants once they have received an account in the Auction Platform.
- Today's presentation is available at www.arb.ca.gov/auction.

Auction and Financial Services Contact Information

- Auction Administrator
 - Email support available 24 hours M-F
 - auctionsupport@markit.com
 - Call from 8 AM to 6 PM PT 1(877) 762-7548
- Financial Services Administrator
 - Email support available M-F
 - CAARB.inbox@db.com
 - Call (212) 250-6645

Air Resources Board Contact Information

- If you have any questions about completing the CITSS registration and account application process, please contact the CITSS Help Desk at: help@wci-citss.org or by phone at: 1-866-682-7561.
- If you have policy related questions regarding the Cap-and-Trade Program, please contact the Air Resources Board at: (916) 322-2037.

Question and Answer Session

- Please submit questions through the webinar system in the Q&A section of the webinar.